

ASSEMBLY BILL

No. 2608

Introduced by Assembly Member Chesbro

February 19, 2010

An act to amend Section 22877 of the Government Code, relating to the Rural Health Care Equity Program.

LEGISLATIVE COUNSEL'S DIGEST

AB 2608, as introduced, Chesbro. Rural Health Care Equity Program.

Existing law establishes, until July 3, 2010, or earlier, upon a specified finding, the Rural Health Care Equity Program for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care expenses paid by employees of State Bargaining Unit 5 living in rural areas, as defined. Prior to July 1, 2009, the program was open to all employees living in rural areas. Existing law provides that moneys remaining in the account of the program on July 1, 2009, other than moneys attributable to State Bargaining Unit 5, are to be deposited in the General Fund. Existing law requires that moneys remaining in a program account upon its termination be deposited in the General Fund.

The bill would extend the Rural Health Care Equity Program until January 1, 2012, or to an earlier date upon a specified finding, and would extend the benefits to all employees and annuitants living in rural areas. This bill would delete the provision regarding the disposition of any moneys remaining in a program account on the date the program is terminated.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 22877 of the Government Code is amended to read:

22877. (a) As used in this section, the following definitions shall apply:

(1) “Coinsurance” means the provision of a health benefit plan design that requires the health benefit plan and state employee *or annuitant* to share the cost of hospital or medical expenses at a specified ratio.

(2) “Deductible” means the annual amount of out-of-pocket medical expenses that a state employee *or annuitant* must pay before the health benefit plan begins paying for expenses.

(3) “Program” means the Rural Health Care Equity Program.

(4) “Rural area” means an area in which there is no board-approved health maintenance organization plan available for enrollment by state employees *or annuitants* residing in the area.

(b) (1) The Rural Health Care Equity Program is hereby established for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care expenses paid by eligible employees *and annuitants* living in rural areas that would otherwise be covered if the state employee *or annuitant* was enrolled in a board-approved health maintenance organization plan. The program shall be administered by the Department of Personnel Administration or by a third-party administrator approved by the Department of Personnel Administration in a manner consistent with all applicable state and federal laws. The board shall determine the rural area for each subsequent fiscal year, at the same time that premiums for health maintenance organization plans are approved.

(2) Separate accounts shall be maintained within the program for all of the following:

(A) Employees, as defined in subdivision (c) of Section 3513.

(B) Excluded employees, as defined in subdivision (b) of Section 3527.

(C) *State annuitants*.

(c) Moneys in the program shall be allocated to the respective accounts as follows:

1 (1) The contribution provided by the state with respect to each
2 employee, as defined in subdivision (c) of Section 3513, who lives
3 in a rural area and is otherwise eligible, shall be an amount
4 determined through the collective bargaining process.

5 (2) The contribution provided by the state with respect to each
6 excluded employee, as defined in subdivision (b) of Section 3527,
7 who lives in a rural area and is otherwise eligible, shall be an
8 amount equal to, but not to exceed, the amount contributed pursuant
9 to paragraph (1).

10 (3) *The contribution provided by the state with respect to each*
11 *state annuitant who lives in a rural area, is not a Medicare*
12 *participant, resides in California, and is otherwise eligible, shall*
13 *be an amount not to exceed five hundred dollars (\$500).*

14 (4) *The contribution provided by the state with respect to each*
15 *annuitant who lives in a rural area, resides in California,*
16 *participates in a supplemental Medicare health benefit plan, and*
17 *is otherwise eligible, shall be an amount equal to the Medicare*
18 *Part B premiums incurred by the annuitant, not to exceed*
19 *seventy-five dollars (\$75) per month. The program may not*
20 *reimburse for penalty amounts.*

21 ~~(3)~~

22 (5) If an eligible employee enters or leaves service with the state
23 during a fiscal year, contributions for the employee shall be made
24 on a pro rata basis. A similar computation shall be used for anyone
25 entering or leaving the bargaining unit, including a person who
26 enters State Bargaining Unit 5 by promotion during a fiscal year.

27 (d) Each fund of the State Treasury, other than the General
28 Fund, shall reimburse the General Fund for any sums allocated
29 pursuant to subdivision (c) for employees whose compensation is
30 paid from that fund. That reimbursement shall be accomplished
31 using the following methodology:

32 (1) On or before December 1 of each year, the Department of
33 Personnel Administration shall provide a list of active state
34 employees who participated in the program during the previous
35 fiscal year to each employing department.

36 (2) On or before January 15 of each year, each department that
37 employed an active state employee identified by the Department
38 of Personnel Administration as a participant in the program shall
39 provide the Department of Personnel Administration with a list of

1 the funds used to pay each employee's salary, along with the
2 proportion of each employee's salary attributable to each fund.

3 (3) Using the information provided by the employing
4 departments, the Department of Personnel Administration shall
5 compile a list of program payments attributable to each fund. On
6 or before February 15 of each year, the Department of Personnel
7 Administration shall transmit this list to the Department of Finance.

8 (4) The Department of Finance shall certify to the Controller
9 the amount to be transferred from the unencumbered balance of
10 each fund to the General Fund.

11 (5) The Controller shall transfer to the General Fund from the
12 unencumbered balance of each impacted fund the amount specified
13 by the Department of Finance.

14 (6) To ensure the equitable allocation of costs, the Director of
15 the Department of Personnel Administration or the Director of
16 Finance may require an audit of departmental reports.

17 *(e) For any sums allocated pursuant to subdivision (c) for*
18 *annuitants, funds, other than the General Fund, shall be charged*
19 *a fair share of the contribution provided by the state in accordance*
20 *with the provisions of Article 2 (commencing with Section 11270)*
21 *of Chapter 3 of Part 1 of Division 3. On or before July 31 of each*
22 *year, the Department of Personnel Administration shall provide*
23 *the Department of Finance with the total costs allocated for*
24 *annuitants in the previous fiscal year. The reported costs may not*
25 *include expenses that have been incurred but not claimed as of*
26 *July 31.*

27 *(f) Notwithstanding any other provision of law and subject to*
28 *the availability of funds, moneys within the program shall be*
29 *disbursed for the benefit of eligible annuitants. The disbursements*
30 *shall either reimburse the annuitant, if not a Medicare participant,*
31 *for some or all of the deductible incurred by the annuitant or a*
32 *family member, not to exceed five hundred dollars (\$500) per fiscal*
33 *year, or reimburse the annuitant, if a Medicare participant, for*
34 *Medicare Part B premiums incurred by the annuitant, not to exceed*
35 *seventy-five dollars (\$75) per month. The program may not*
36 *reimburse for penalty amounts. These reimbursements shall be*
37 *provided by the Department of Personnel Administration.*
38 *Notwithstanding any other provision of law, any annuitant who*
39 *cannot be located within a period of three months and whose*

1 *disbursement is returned to the Controller as unclaimed is*
2 *ineligible to participate in the program.*

3 ~~(e)~~

4 (g) Notwithstanding any other law and subject to the availability
5 of funds, moneys within the program shall be disbursed for the
6 benefit of eligible employees. The disbursements shall subsidize
7 the preferred provider plan premiums for the employee by an
8 amount equal to the difference between the weighted average of
9 board-approved health maintenance organization premiums and
10 the lowest board-approved preferred provider plan premium
11 available under this part, and reimburse the employee for a portion
12 or all of his or her incurred deductible, coinsurance, and other
13 out-of-pocket health-related expenses that would otherwise be
14 covered if the employee and his or her family members were
15 enrolled in a board-approved health maintenance organization
16 plan. These subsidies and reimbursements shall be provided as
17 determined by the Department of Personnel Administration, which
18 may include, but is not limited to, a supplemental insurance plan,
19 a medical reimbursement account, or a medical spending account
20 plan.

21 ~~(f)~~

22 (h) Subject to subdivision ~~(h)~~ (j), moneys remaining in an
23 account of the program at the end of any fiscal year shall remain
24 in the account for use in subsequent fiscal years, until the account
25 is terminated. Moneys remaining in a program account upon
26 termination, after payment of all expenses and claims incurred
27 prior to the date of termination, shall be deposited in the General
28 Fund.

29 ~~(g)~~

30 (i) The Legislature finds and declares that the program shall be
31 operated for the exclusive benefit of *State* employees ~~of State~~
32 ~~Bargaining Unit 5~~, *annuitants, and family members*.

33 ~~(h)~~

34 (j) This section shall be operative only to the extent that funding
35 is provided in the annual Budget Act or another statute ~~and solely~~
36 ~~for the benefit of employees of State Bargaining Unit 5~~.

37 ~~(i)~~

38 (k) This section shall cease to be operative on ~~July 3, 2010~~
39 *January 1, 2012*, or on an earlier date if the board makes a formal
40 determination that health maintenance organization plans are no

1 longer the most cost-effective health benefit plans offered by the
2 board.
3 ~~(j) Notwithstanding any other law, on and after July 1, 2009,~~
4 ~~the benefits of the Rural Health Care Equity Program shall be~~
5 ~~available only to employees in State Bargaining Unit 5, and shall~~
6 ~~not be available to any other employees. Pursuant to subdivision~~
7 ~~(f), any moneys that remain in the accounts of the program on July~~
8 ~~1, 2009, other than moneys attributable to employees in State~~
9 ~~Bargaining Unit 5 on that date, shall be deposited in the General~~
10 ~~Fund. Benefits of the Rural Health Care Equity Program shall~~
11 ~~cease to be available to employees in State Bargaining Unit 5, on~~
12 ~~and after July 3, 2010, and any moneys remaining in the accounts~~
13 ~~of the program shall be deposited in the General Fund.~~